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ANNUAL REPORT year ending June 30th

50 Years

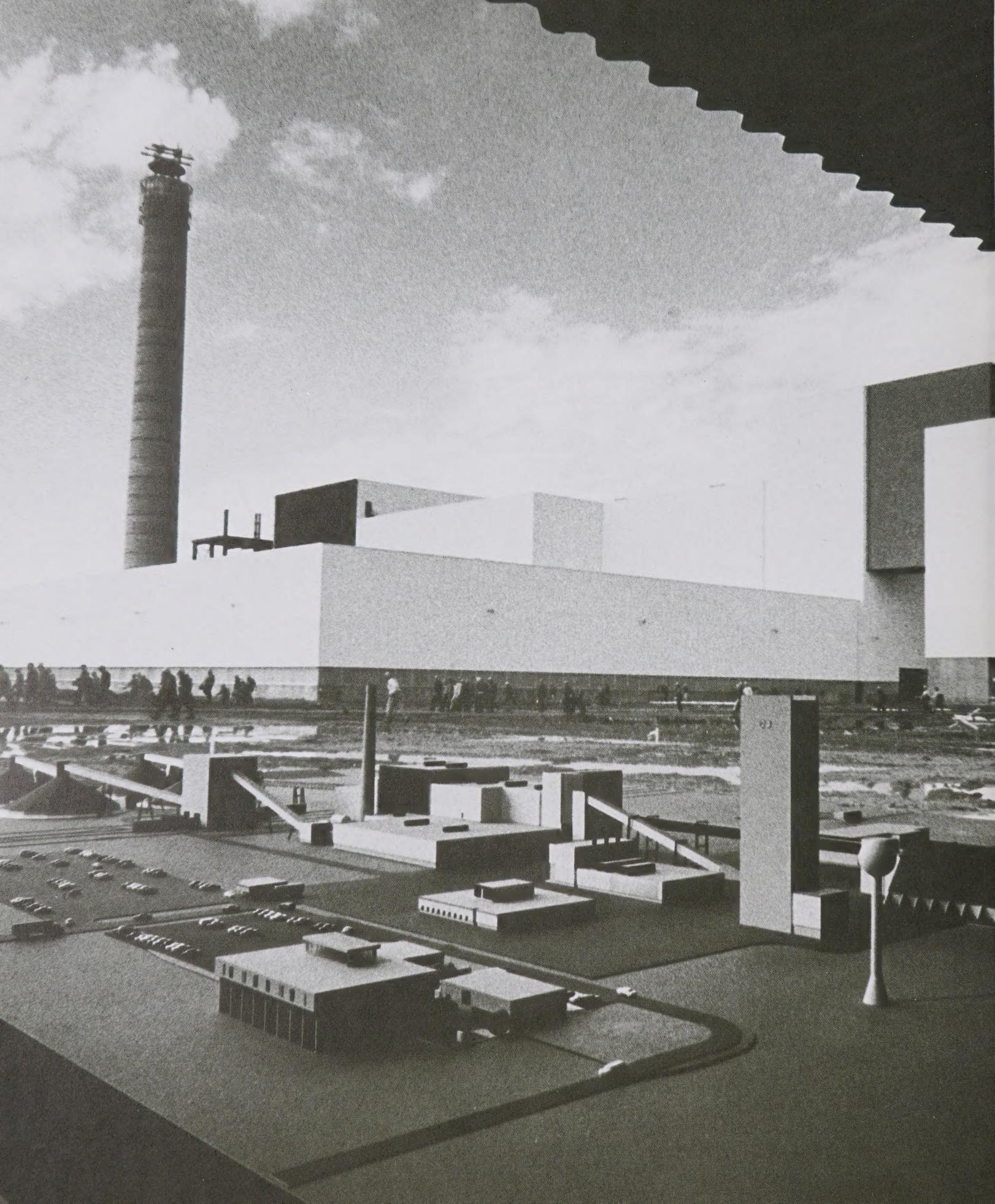
57th Annual Report • International Minerals & Chemical Corporation • Skokie, Illinois

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Annual Shareholders' Meeting

Shareholders are cordially invited to attend the Annual Meeting to be held at the Biltmore Hotel, Madison Avenue at 43rd Street, New York, New York, at 10 a.m., New York time, Tuesday, October 25, 1966. A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed each shareholder on or about September 26.





Year in Brief

1965	1966	years ended June 30
\$262,997,265	\$299,322,001	Net sales
23,542,938	30,327,295	Earnings before income taxes
20,342,938	24,627,295	Net earnings
6,610,625	7,943,316	Cash dividends paid to shareholders
52,756,209	69,425,649	Expenditures for property, plant and equipment
13,078,659	14,807,782	Depreciation and depletion
Per Share of Common Stock		
\$3.19	\$3.83	Net earnings
1.00	1.20	Cash dividends paid
24.01	26.57	Book value
at June 30		
\$ 86,068,085	\$107,059,308	Working capital
184,275,425	236,918,932	Property, plant and equipment (net)
122,854,021	181,859,643	Long-term debt
160,108,660	177,826,310	Shareholders' equity (net worth)
6,257,660	6,322,734	Number of common shares outstanding
98,330	98,330	Number of preferred shares outstanding
18,809	19,617	Number of shareholders
6,925	7,313	Number of employees
3.5 to 1	3.1 to 1	Ratio—current assets to current liabilities

K-2 REFINERY—IMC's second Canadian potash mine will bring the company's annual production capacity to 4½ million tons when completed early in 1967. The current potash production capacity is 3 million tons a year. Model in foreground shows how finished plant will look.

To the Shareholders



THOMAS M. WARE



NELSON C. WHITE

This was another year of record sales and earnings for IMC, the seventh in a row.

Earnings were \$24,627,000, or \$3.83 per share, compared with \$20,343,000, or \$3.19 per share a year ago, maintaining a 20 percent average annual earnings increase for the seven-year period.

Sales were up 14 percent to \$299,322,000, compared with \$262,997,000 for the previous year.

These fiscal achievements reflected a compounding growth in demand for the Corporation's major products, particularly in fertilizer materials. They demonstrated, also, IMC's growing capability to capitalize on that demand. The Company's rate of sales gain in these products was 50 percent greater than that of the industry as a whole despite growing competition.

Potash and phosphate shipments increased both in North America and abroad, with stepped up production capacity supplying product for tonnage

gains of 12 percent in potash, 18 percent in phosphate rock, and 36 percent in phosphate concentrates.

The Corporation continued its expansion of production facilities to keep pace with the demand for its major products. New mining and refining facilities completed in Florida this summer increased phosphate rock production by 33 percent. The new shaft at K-2, our second Canadian potash mine, neared completion and is expected to begin production early in calendar 1967. This will add an annual capacity of 1½ million tons to the 2 million tons from K-1 and 1 million tons from the Carlsbad, New Mexico, operation.

Several key developments during the fiscal year should be noted as signals of change in the fertilizer industry.

A weakness in potash prices developed in mid-March, the result of a misreading of short-term supply-demand indicators by some suppliers. Similar situations of a temporary nature could develop as new competitors with limited distribution and volume enter the market.

There may be an oversupply in potash in the late 1960's, but the presently growing recognition, both at home and abroad, of the need to spur increased food production may well alter any current projection of supply-demand imbalances in fertilizer materials.

Phosphate prices were up at year's end, with increases of 3½ percent on concentrates in March and 3 percent on rock phosphate on July 1. Sulphur, in short supply and rising in price, loomed as a limiting factor against projected industry expansion of phosphate con-

centrates production. IMC has well-established sources of supply.

Distribution costs for fertilizer materials became increasingly important as the geographical areas of demand broadened and supply lines lengthened. IMC, with unique distribution efficiencies and large volume, has taken the lead in reducing customers' overall costs through transportation savings while maintaining its product revenues.

A significant development in this area was the Corporation's move at year-end into a joint venture for the construction and operation of a 41,000-ton ship to optimize back-haul opportunities in distribution of fertilizer and other materials. The new vessel is to be in operation in October 1967.

Major contributor to the Corporation's profits outside the agricultural chemicals field was the industrial products group. Gains were registered in all three areas of activity serving foundry, ceramics and glass, and oil well drilling industries.

IMC Drilling Mud added to its product line and broadened distribution and services to the West Coast and Mexico through the acquisition early in fiscal 1966 of the Ken Corporation, Long Beach, California. IMC common stock was used for the acquisition.

In another expansion move, to be completed early in fiscal 1967, Fred'k A. Stresen-Reuter, Inc., of Bensenville, Illinois, is being acquired for common stock, partly to provide facilities for increasing production in the foundry core binding business. Stresen-Reuter, with annual sales of \$3 million, will continue to produce resins and other special materials used by the printing ink and paint

industries.

Sales were up in potash-based industrial chemicals and the Corporation announced plans to broaden the line with a partnership in a chlor-alkali plant to be built in Maine.

In the field of animal health and nutrition, construction is underway on a phosphate feed ingredients plant at the Florida operations. When completed late in fiscal 1967, it will be the world's largest, producing three feed supplements with enough capacity for entry into growing world markets. An expanded product line and aggressive marketing kept sales at near record levels, despite the shutdown of an outmoded production facility early in the year.

Monosodium glutamate sales, both bulk and Ac'cent, were up sharply, with a 21 percent gain in dollar volume. Sales of Ac'cent, the retail and institutional product, continued to respond to new marketing and consumer advertising techniques with further improvement in profit contribution.

The Corporation's new Growth Sciences Center at Libertyville, Illinois, was completed during the year. It is the first of its size and scope established by a company dealing primarily in agricultural materials and services. The \$6.5 million center launches in full scale the recently broadened and accelerated program of studies toward development of revolutionary food production concepts.

In overseas activities, IMC was one of five companies chosen in June to submit proposals to the Spanish government for participation in the development of a phosphate reserve in the Spanish Sahara estimated at 1.3 billion tons. There was no fixed date for the government's final decision.

Construction work proceeded on the Indian fertilizer plant at Visakhapatnam in which IMC is a partner. It is expected to be on stream in 1967.

To maintain its expansion program in production, research, and distribution, the Corporation in January sold \$50 million of 4 percent convertible debentures. Capital expenditures for the year totalled \$69 million dollars. Major items were the expansion and construction of production facilities at the Canadian potash mines and at the phosphate minerals operations in Florida.

Quarterly dividends on common shares increased from 25 to 30 cents per share in September 1965, the third increase in two years. The Board of Directors has proposed a distribution to shareholders of one additional share of the Company's common stock for each two shares held (with no change in par value). The proposal will be voted on at the shareholders' meeting October 25. The Board also has indicated a 25 percent increase in dividends which would bring the dividend to \$1 per share on an annual basis after the proposed share distribution.

Despite increasing competitive pressure in the fertilizer materials industry, and resultant pricing uncertainties in potash, IMC expects to continue its sales and earnings growth in the new year, with the outlook good in all areas.

Thomas M. Kene
Chairman of the Board

H. C. White
President

August 12, 1966

Sales & Operation Highlights

FERTILIZER AND FERTILIZER MATERIALS

Share of Total Corporate Sales
Increase in Dollar Volume Over 1964-65

70 per cent
18 per cent

Virtually all product output was sold and, on occasion, product was purchased from competitors to meet contracts. Sales increased both domestically and abroad.

Phosphate

Phosphate Rock Tonnage
Phosphate Concentrates Tonnage
Increase in Dollar Volume Over 1964-65

7.1 million tons
(up 18 per cent)
1.1 million tons
(up 36 per cent)
32 per cent

At the end of the year, new Florida phosphate rock plant began operating, increasing annual production capacity by 33 per cent, to 8 million tons a year.

Full benefit of concentrated phosphate plant expansion completed in 1964-65 was felt this year.

Concentrated phosphate prices were up in year, and rock phosphate prices increased at year-end.

Shipments Breakdown

Overseas 39 per cent
Domestic 31 per cent
IMC Plants 30 per cent

Potash

Tonnage Total
Increase in Dollar Volume Over 1964-65

2.7 million tons
(up 12 per cent)
6 per cent

Production capacity of Canadian mine increased 25 per cent to 2 million tons a year. Second Canadian installation scheduled to be in operation in time for next spring selling season. New mine will produce 1½ million tons a year, bringing IMC total annual capacity to 4½ million tons.

Increasing sales abroad brought change in product mix, growth in lower-cost and lower-price standard and special standard grades. These factors and increasing sales at off-season rates held the increase in dollar volume below the increase in tonnage.

Nitrogen

Increase in Dollar Volume Over 1964-65

16 per cent

Through plant improvements, production was increased significantly by Nitrin, Inc., joint venture of IMC and Northern Natural Gas.

Mixed Fertilizers

Increase in Dollar Volume Over 1964-65

2 per cent

Sales reached new highs, despite cold, wet spring and sharp cutback in cotton acreage.

FEED INGREDIENTS

Share of Total Corporate Sales
Decrease in Dollar Volume From 1964-65

6 per cent
2 per cent

Dollar volume in phosphatic feed ingredients dropped slightly with the shutdown of an outmoded production facility at the beginning of the year. Construction work is underway on a modern plant at the Florida phosphate chemicals operation which will be the largest of its kind.

INDUSTRIAL CHEMICALS

Share of Total Corporate Sales
Increase in Dollar Volume Over 1964-65

4 per cent
24 per cent

Sales of all industrial chemicals reached new highs. Niagara Falls plant expanded 20 per cent to meet demand. IMC is principal partner in new chemical plant to be built in Maine, and will be responsible for operations, sales.

INDUSTRIAL PRODUCTS

Share of Total Corporate Sales
Increase in Dollar Volume Over 1964-65

13 per cent
18 per cent

Sales of principal product lines grew. Drilling Mud sold a high-volume, low-profit lumber business acquired with distributor in 1963. Its sales are not reflected in these figures.

Industrial Minerals

(Feldspar, aplite, bonding clays and other materials for foundry, ceramic, glass industry)

Increase in Dollar Volume Over 1964-65

15 per cent

Sales and profits continued to respond to growth of auto industry, increased use of glass containers for food and beverages, and general increase in construction.

Oil Well Drilling Muds

Increase in Dollar Volume Over 1964-65

17 per cent

IMC Drilling Mud expanded into California and overseas, and strengthened position in Canada.

FERMENTATION PRODUCTS

Share of Total Corporate Sales
Increase in Dollar Volume Over 1964-65

7 per cent
25 per cent

Production and sales of monosodium glutamate set new record. Retail sales of Ac'cent increased 32 per cent, and bulk sales 28 per cent.

Modernization and expansion of the San Jose plant increased production capacity 40 per cent and cut costs 25 per cent, partially offsetting the effects of lower international prices for bulk monosodium glutamate and low bulk domestic prices.

GROWTH: New Dimensions/New Directions

The last seven years have been the period of IMC's greatest growth. Successive earnings and sales records have been set in every year.

The momentum developed in this period has more than tripled earnings and increased sales from \$126 million to \$299 million.

IMC first reached \$100 million in annual sales in 1957, nearly 50 years after it was founded. It took only seven years, until 1964, to add another \$100 million. And two years later the total was \$299 million.

Earnings of \$24.6 million in 1966 exceeded total earnings of the company from its formation in 1909 through 1946, and roughly equalled the combined earnings of the first three years of this decade, fiscal years 1960-1961-1962.

Developments in this seventh record year point to continued growth in all major areas, with expanded markets, growing demand, and increased production facilities.

Marketing and Distribution

IMC is developing a new concept of fertilizer materials marketing involving the use of unique distribution facilities and technology.

This concept has enabled IMC to compete successfully in formerly inaccessible markets.

It has taken potash into Europe, the Caribbean and the East Coast of the United States, ammonium nitrate into Colombia, and phosphate into Australia, New Zealand, California and Western Canada.

It is a response to a situation in which transportation costs often exceed the cost of the product. Distribution charges limit a producer's market and a customer's choice of suppliers.

IMC is developing programs and facilities which substantially reduce certain distribution costs.

Under this program, the total delivered cost—product plus distribution—is lower. Because of distribution cost efficiencies, IMC can maintain its product revenues.

But distribution efficiencies require volume movement. On the basis of its volume, IMC has chartered carriers, leased storage facilities and otherwise strengthened its distribution system.

IMC has leased a potash warehouse in Rotterdam, leased a terminal in Vancouver that handles outbound potash and inbound phosphate, and expanded its phosphate terminal in Tampa to handle inbound potash from Canada.

Ocean shipping arrangements involving large tonnages and back-hauls have enabled the Corporation to reduce ship-

ping costs in comparison with spot charter shipments.

Customer Services

A major factor in IMC's continuing sales achievements is the Company's unique customer service program, designed to enhance customer profitability and effectiveness. It is no coincidence that this program became operational the same year the Company began its period of greatest growth. During its seven-year history, customer services have become more sophisticated and more valuable.

In the first year, IMC reached 400 United States fertilizer manufacturers with sales training services and marketing aids. IMC's program is now spreading around the world. More than 4,000 Japanese fertilizer dealers were provided with agronomic and marketing training by IMC during the year. Similar training was provided to more than 3,500 domestic agricultural chemicals customers' employees. The Corporation currently offers 50 separate customer service programs.

These services do not stop at the manufacturing level, but are being carried right on to the farmer. This year some 1,500 farmers are participating in an extensive field test of IMC's computerized farm management program, calculated to improve farm profits. The Company's computerized weather impact service was broadened to help farmers optimize yields by anticipating growing conditions.

Customer services have been extended beyond the traditional agricultural chemicals field. More than 10,000 employees of the nation's leading petroleum companies took IMC Drilling Mud Division's programmed learning course in the most effective ways to use oil well drilling mud.

A similar course in foundry technology is now in its second year.



In yet another area of the Company's business, the Bioferm Division sponsored a Flavor Seminar that was attended by 175 top food technologists and marketing experts. The research services of the division's unequalled Food and Flavor Center were made available to the food processing industry, customers for the Company's monosodium glutamate.

Exploration and Reserves

Reserves of the Company's principal minerals are more than adequate to meet the Company's projected needs through the rest of this century. And this reserve position is continually being strengthened.

The Company now owns or has mining rights to phosphate reserves containing an estimated 250 million tons of phosphate rock. Rights to mine potash are held by IMC's Canadian subsidiary on about 195,000 acres of land sufficient to yield about 350 million tons of product. Potash reserves in New Mexico of 42,000 acres are estimated to be able to yield over 50 million tons of product.

The Industrial Minerals group has reserves, based on present production rates, of 30 years of bentonite, 80 years of feldspathic materials, 15 years of barite and refractory clays. The search for strategically located reserves of fertilizer and industrial minerals was expanded during the year. Exploration and evaluation work was done in Africa, the Southwest Pacific, and South, Central and North America.

Employee Relations

There were no work stoppages during the year and there have been none since 1962. Fourteen labor contracts were signed in fiscal 1966. Average term of the contracts is 2.4 years. No contracts

expire at any major installation during fiscal 1967.

College recruitment activities were increased by one-third to meet the demands for more scientific and junior management personnel.

1967 and Beyond

Increased emphasis on food production around the world and shrinking reserves of feed grains at home are going to exert increased demand pressures on the chemical fertilizer industry. Next year, as last, the demand for fertilizer will grow faster than previously forecast. Instead of a growth rate of 7 or 8 percent, it is expected to be nearer 10 percent.

Domestic consumption of corn, soybeans, and wheat is growing. America's commitments to help nations with grave food shortages are on the rise. To meet these needs and to rebuild reserves to safe, higher levels will not be a short-term accomplishment.

Domestically, wheat acreage allotments have been increased 30 percent, rice allotments 10 percent and soybean support prices have been increased over 10 percent during the year. Plans are being readied to bring retired land back into production.

World grain shortages and rising prices are expected to spur increased production abroad as well, in both developed and developing countries.

With growing demand for grains matched by an increased world need for beef, poultry and milk, IMC is placing increasing emphasis on the production and sale of products for animal agriculture.



Financial Review

Sales and Earnings

Net sales for the fiscal year ended June 30, 1966 were \$299,322,001, up 14 percent from the previous year's record sales of \$262,997,265.

Earnings were \$24,627,295 or \$3.83 per common share on 6,322,734 shares outstanding. For 1964-65, earnings were \$20,342,938 or \$3.19 per common share on 6,257,660 shares outstanding.

Dividends

Quarterly dividends of 30 cents per share of common stock or \$1.20 for the year for a total of \$7,549,996 were paid by the Corporation. The dates of declaration, record and payment were:

Date Declared	Shareholders of Record	Date Paid
8-30-65	9-21-65	9-30-65
12-2-65	12-15-65	1-3-66
2-25-66	3-11-66	3-30-66
5-27-66	6-13-66	6-30-66

Quarterly dividends of \$1 per share, or \$4 for the year, totaling \$393,320, were paid on the 4 percent cumulative preferred shares on the foregoing dates, except that the preferred dividend declared December 2, 1965, was paid on December 30, 1965.

The dividends on June 30, 1966, were the 87th consecutive quarterly payment to holders of the common stock and the 97th consecutive quarterly payment on the preferred.

Working Capital

The cash recovery from operations was \$40,892,077. An additional \$10 million was obtained from long-term borrowings under the agreement of the Canadian subsidiary with The Prudential Insurance Company of America. This completed

the borrowings under this agreement. An additional \$50,319,000 was obtained from the sale by the Corporation of its 4% Convertible Subordinated Debentures due January 1, 1991.

Total dividends paid to shareholders were \$7,943,316. Additions to property, plant and equipment during the year totaled \$69,425,649.

Working capital was \$107,059,308, an increase of \$20,991,223.

Receivables

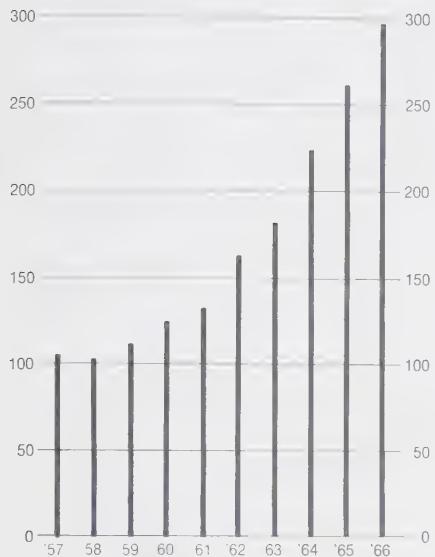
Receivables increased \$11,173,469 over last year, primarily because of increased sales. In spite of keener competition in both the domestic and overseas markets, the ratio of trade receivables to sales was unchanged from last year. The Corporation's collection record is expected to remain satisfactory.

Property and Investments

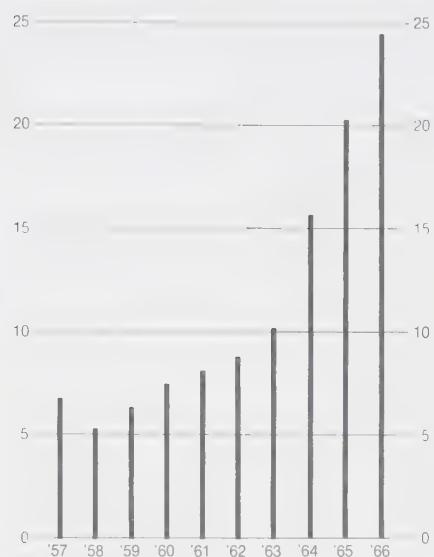
Of the \$69 million spent on property, plant and equipment, \$33 million was for the second potash mine and refinery of the Canadian subsidiary and for expansion of the present potash facilities, and \$14 million for Florida minerals plant expansion. Of the balance \$4 million was spent on construction of the Growth Sciences Center at Libertyville, Illinois; \$2 million for additional minerals reserves; and \$16 million for replacement, modification and other facilities. Total lease commitments for nitrogen distribution units, fertilizer bulk blending plants and mobile equipment amount to \$8.5 million.

During the year, \$350,000 was invested in capital stock of IMC Chlor-Alkali, Inc., a joint venture which will build a chlor-alkali plant in Bangor, Maine. The Corporation increased its equity investment in Compagnie Senegalaise des Phosphates de Taiba by converting one-half

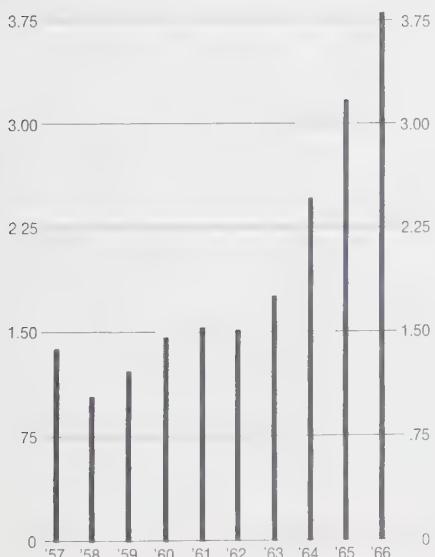
Sales in millions of dollars



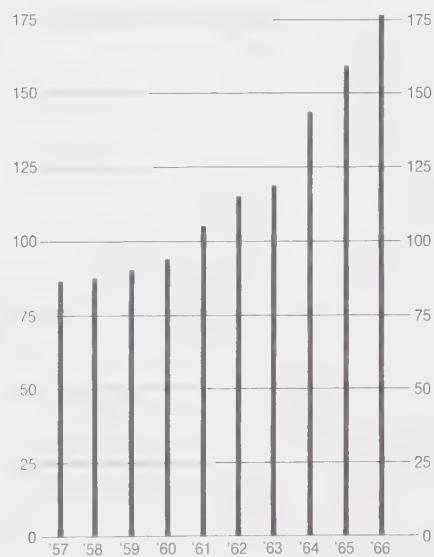
Earnings in millions of dollars



Earnings Per Share



Shareholders' Equity in millions of dollars



of a \$1 million loan previously made to Taiba as the Corporation's proportionate share of Taiba's expansion program. Other stockholders similarly converted portions of their loans to equity. The Corporation chose not to exercise its option to increase its proportionate share of equity in Taiba.

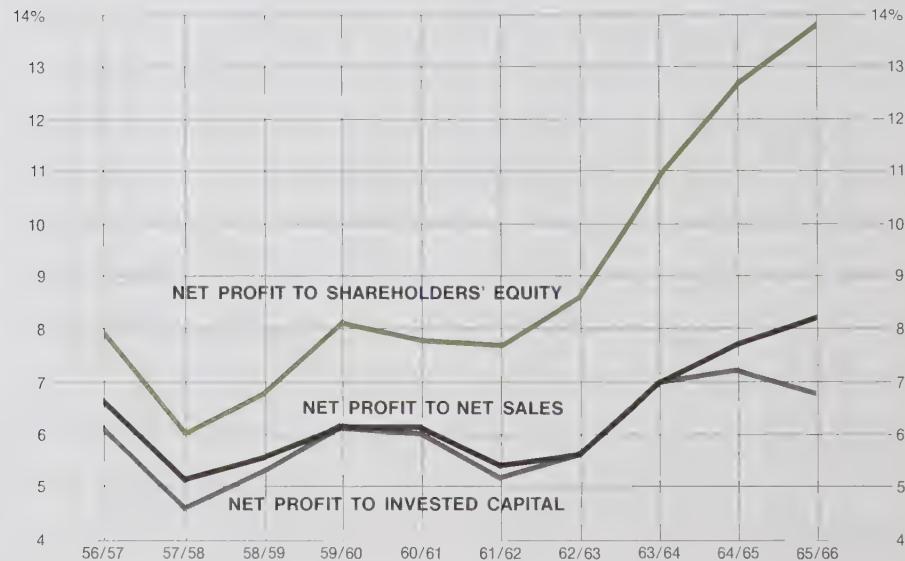
Capital expenditures for 1966-67 are expected to be less than in 1965-66. These expenditures will be for the completion of the K-2 potash mine and refinery by the Canadian subsidiary; expansion of K-1 production facilities; completion of the new phosphate feed complex at the Bonnie, Florida, chemical

plant; completion of the new phosphate mine complex at the Florida operations; additions to the Carlsbad, New Mexico, facilities; and other expenditures necessary to maintain the Corporation's plants and facilities.

Executive Incentive Compensation

Sixty-seven persons participated in the executive incentive compensation plan and it is expected, with respect to fiscal 1966, that they will be paid an aggregate of \$486,840 and in addition be allotted approximately \$494,160 of deferred merit bonus credits to be paid in the future subject to the conditions of the plan.

Net Profit Ratios







Consolidated Financial Position

1965	1966	at June 30
\$ 11,094,102	\$ 12,333,670	CURRENT ASSETS:
66,557,121	20,000,000	Cash
33,137,296	77,730,590	Commercial paper, at cost, which approximates market
1,813,213	34,721,962	Receivables (less allowances of \$1,675,000 in 1966 and \$1,797,000 in 1965)
7,892,207	3,868,836	Inventories, at lower of cost (principally average cost) or market —
42,842,716	9,085,713	Raw materials, in process and finished products
120,493,939	47,676,511	Freight on products in warehouses
	157,740,771	Operating materials and supplies
		Total current assets
31,163,973	38,570,670	CURRENT LIABILITIES:
2,001,511	5,313,629	Accounts payable and accrued liabilities
1,260,370	5,320,000	Income taxes (Note 2)
34,425,854	1,477,164	Advance payment on production—after taxes
86,068,085	50,681,463	Current maturities on long-term debt
	107,059,308	Total current liabilities
4,041,497	4,094,633	WORKING CAPITAL
5,565,647	5,514,441	INVESTMENTS, AT COST:
3,799,976	6,111,361	Affiliated domestic companies
13,407,120	15,720,435	Foreign companies
184,275,425	236,918,932	Notes and other investments
6,118,051	8,350,278	PROPERTY, PLANT AND EQUIPMENT , at cost less
289,868,681	368,048,953	accumulated depreciation and depletion (Note 3)
122,854,021	181,859,643	PREPAID EXPENSES AND DEFERRED CHARGES
6,906,000	8,363,000	Total assets less current liabilities
129,760,021	190,222,643	Deduct:
\$160,108,660	\$177,826,310	LONG-TERM DEBT , less current maturities (Note 4)
		DEFERRED INCOME TAXES (Note 2)
		NET ASSETS APPLICABLE TO SHAREHOLDERS' EQUITY
\$ 9,833,000	\$ 9,833,000	SHAREHOLDERS' EQUITY (Notes 4, 5 and 6):
31,288,300	31,613,670	Preferred stock
36,726,939	37,219,505	Common stock
82,260,421	99,160,135	Capital in excess of par value
\$160,108,660	\$177,826,310	Retained earnings

(See Notes To Consolidated Financial Statements)



Consolidated Net Earnings and Retained Earnings

1965	1966	years ended June 30
REVENUES:		
\$262,997,265	\$299,322,001	Net sales
450,297	774,649	Other income—net
263,447,562	300,096,650	
COSTS AND EXPENSES:		
187,581,516	211,461,298	Cost of goods sold
46,684,523	50,086,049	Selling, administrative and general expenses
5,638,585	8,222,008	Interest charges
239,904,624	269,769,355	
23,542,938	30,327,295	EARNINGS BEFORE INCOME TAXES
3,200,000	5,700,000	PROVISION FOR INCOME TAXES , including deferred taxes of \$1,457,000 in 1966 and \$1,841,000 in 1965 (Note 2)
20,342,938	24,627,295	NET EARNINGS (\$3.83 per share in 1966; \$3.19 per share in 1965)
68,528,108	82,260,421	RETAINED EARNINGS AT BEGINNING OF YEAR
	215,735	RETAINED EARNINGS OF POOLED COMPANIES (Note 1)
88,871,046	107,103,451	
DIVIDENDS PAID:		
393,320	393,320	4% cumulative preferred—\$4.00 per share
6,217,305	7,549,996	Common stock—\$1.20 per share in 1966; \$1.00 per share in 1965
6,610,625	7,943,316	
\$ 82,260,421	\$ 99,160,135	RETAINED EARNINGS AT END OF YEAR (Note 4)

(See Notes To Consolidated Financial Statements)



Consolidated Source and Disposition of Working Capital

1965

1966

years ended June 30

SOURCE OF WORKING CAPITAL:

From operations

\$ 20,342,938	\$ 24,627,295	Net earnings
11,891,791	13,810,638	Charges against net earnings not involving working capital:
1,186,868	997,144	Depreciation
1,841,000	1,457,000	Depletion
35,262,597	40,892,077	Deferred income taxes

From issuance of securities

43,540,275	50,319,000	Convertible debentures
	10,000,000	Promissory notes, etc.
		Common stock:
1,392,765	297,542	Acquisitions (Note 1)
382,982	736,129	Stock option plans (Note 6)
45,316,022	61,352,671	
1,070,693	1,726,401	From property disposals, less gains included in net earnings
81,649,312	103,971,149	

DISPOSITION OF WORKING CAPITAL:

52,756,209	69,425,649	Additions to property, plant and equipment
8,275,887	131,925	Property and other assets of acquired companies
4,612,671	2,295,546	Increase in investments and long-term receivables
6,610,625	7,943,316	Dividend payments
1,158,590	1,313,378	Decrease in long-term debt
43,397	1,870,112	Net increase in prepaid expenses, deferred charges, etc.
73,457,379	82,979,926	
8,191,933	20,991,223	INCREASE IN WORKING CAPITAL
77,876,152	86,068,085	WORKING CAPITAL AT BEGINNING OF YEAR (Note 1)
\$ 86,068,085	\$107,059,308	WORKING CAPITAL AT END OF YEAR

(See Notes To Consolidated Financial Statements)

Notes to Consolidated Financial Statements

1. Principles of consolidation and reclassification of 1965 accounts

The consolidated financial statements include the accounts of the Corporation and all wholly-owned subsidiaries. The accounts of the Canadian subsidiary have been converted at current or other appropriate exchange rates. The operations conducted by the other foreign subsidiaries were not material.

During the 1966 fiscal year, the Corporation issued 36,000 shares of its common stock in exchange for all of the outstanding capital stock of Ken Corporation and Ken de Mexico, S.A., 60% of the outstanding capital stock of Ken International, S.A. and certain property. That portion of the transaction involving Ken Corporation and Ken de Mexico, S.A. was accounted for as a "pooling of interests" and the balance as a "purchase." The operating results of the "pooled" companies are included in the statement of net earnings for the 1966 fiscal year only; their results for the twelve months ended June 30, 1965 were not material.

In June 1966, the Corporation entered into an agreement to acquire after June 30, 1966, for not more than 17,600 shares of its common stock, the net assets and business of Fred'k. A. Stresen-Reuter, Inc.

Certain of the amounts shown for 1965 have been reclassified from those appearing in the 1965 Annual Report to conform to the 1966 presentation. An effect of the reclassification has been to increase working capital at June 30, 1965 by \$3,874,213.

2. Income taxes

The provision for income taxes includes taxes on income earned from the Canadian potash mine since January 1, 1966, the expiration date of the three year tax exemption period granted to the Canadian subsidiary under the Income Tax Act of Canada. No provision has been made for taxes which would be payable if undistributed earnings of foreign subsidiaries were paid to the parent Corporation

since these earnings are considered permanently invested in the businesses.

The Corporation's federal income tax returns have been examined by the Internal Revenue Service for fiscal years ended June 30, 1959 to 1963 and substantial deficiency assessments have been proposed. Returns filed for years after 1963 are presently under examination. The issues relate principally to the Corporation's foreign operations and its method of computing percentage depletion. The ultimate tax liability on these issues cannot be determined at this time. However, based upon management's appraisal of the issues after discussion with legal counsel, the Corporation believes that the ultimate resolution of these issues through fiscal year 1966 will not have a material adverse effect on the consolidated financial position of the Corporation, or on its consolidated results of operations.

Deferred income taxes have been provided principally in recognition of the excess of accelerated depreciation claimed for tax purposes over book depreciation and of the differences between book and tax deductions for pension and royalty expenses.

3. Property, plant and equipment

Property, plant and equipment at June 30, 1966 and 1965 consisted of the following:

	1966	1965
Land	\$ 2,229,989	1,454,451
Mineral properties, including leases, permits and development costs	46,073,465	43,487,014
Buildings, leasehold improvements, machinery and equipment	228,334,361	204,736,744
Construction in progress including \$39,578,002 in 1966 and \$13,823,481 in 1965 for expansion of Canadian potash facilities	60,545,586	22,189,379
	337,183,401	271,867,588
<i>Less:</i>		
Accumulated depreciation	89,001,594	76,907,064
Accumulated depletion	11,262,875	10,685,099
	100,264,469	87,592,163
	\$236,918,932	184,275,425

4. Long-term debt and dividend restrictions

Long-term debt outstanding at June 30, 1966 and 1965 was as follows:

	1966	1965
5.35% promissory note, due October 1, 1989, annual payments of \$2,750,000 in 1968-1978, \$4,500,000 in 1979-1988, and \$4,750,000 in 1989	\$ 80,000,000	80,000,000
4% convertible subordinated debentures, due January 1, 1991, annual payments of one-fifteenth of the principal amount outstanding on January 1, 1978 in 1977-1991	50,319,000	
5.5% promissory note, due October 1, 1982, annual payments of \$3,000,000 in 1968-1982	45,000,000	35,000,000
6% promissory notes, due March 1, 1975, quarterly payments of \$145,000 to 1975	4,495,000	5,075,000
4-6% mortgages and contracts, due 1967-1984, annual average payments of \$337,000 in 1967-1971	1,769,887	1,881,819
Other	275,756	897,202
	\$181,859,643	122,854,021

The debentures issued in 1966 are convertible at any time into common stock of the Corporation at \$87.50 per share. The conversion price is subject to adjustment for specified changes in the capitalization of the Corporation. The debentures are redeemable at the option of the Corporation at any time at prices ranging from 106% in 1966 to 100.30% in 1985 and at 100% thereafter.

The debt agreements restrict the payment of dividends and the purchase, retirement or redemption of capital stock.

Consolidated retained earnings of \$27,102,477 were not restricted at June 30, 1966.

5. Shareholders' equity

Capital stock outstanding at June 30, 1966 and 1965 was as follows:

	1966	1965
Preferred stock:		
Series preferred stock, \$100 par value—Authorized—500,000 shares Outstanding—none		
4% cumulative, \$100 par value—Authorized—100,000 shares Outstanding—98,330 shares excluding 1,670 in treasury	\$ 9,833,000	9,833,000
Common stock, \$5 par value:		
Authorized—10,000,000 shares of which 955,913 shares are reserved (see Note 6)		
Outstanding—6,322,734 shares in 1966 and 6,257,660 in 1965 (excluding 631 in treasury)	31,613,670	31,288,300
	\$41,446,670	41,121,300

During the 1966 fiscal year, capital in excess of par value was increased \$492,566 and common stock outstanding was increased 65,074 shares to reflect (1) the excess (\$590,759) of proceeds over par value of 29,074 shares issued to employees under stock options (see Note 6), (2) the excess (\$33,397) of market value over par value of 732 shares issued to purchase the capital stock of Ken International, S.A. and certain property (see Note 1), less (3) the excess (\$131,590) of the par value of 35,268 shares issued over the shareholders' capital of the "pooled companies" (see Note 1).

6. Stock options and common stock reserved

Under a stock option plan adopted in fiscal 1964, stock options may be granted to officers and key employees at prices not less than 100% of fair market value at dates of grant. Options are exercisable not earlier than one year (and in some cases not earlier than two years) or later than five years from dates of grant.

The Corporation has also granted stock options under a prior plan for a duration of ten years at prices not less than 95% of fair market value at dates of grant.

During the current fiscal year, options under these plans were (1) canceled on 3,400 shares, (2) granted on 25,556 shares at \$61 per share and (3) exercised on 29,074 shares. At June 30, 1966, options were outstanding on 202,180 shares at prices of \$13—\$61 per share (of which options on 53,324 shares were exercisable), and there were 164,704 shares reserved for future options.

An additional 589,029 shares were reserved at June 30, 1966, of which 17,600 shares are for issuance in connection with the acquisition of a business (see Note 1) and 571,429 shares are for conversion of the debentures (see Note 4).

7. Pension plans

Contributions made to the pension plans in the 1966 fiscal year amounted to \$2,383,188, as compared to \$2,243,124 in the previous year.

8. Commitments and guarantees

The major lease commitments covering potash, phosphate and other mineral properties, which expire more than three years after June 30, 1966, provide for the greater of minimum royalties, rentals or royalties based on production. The minimum annual average payments under these leases approximate \$2,600,000. Average annual rentals on all other real property, automotive and other equipment leased for terms expiring more than three years after June 30, 1966 are approximately \$3,000,000. The Corporation also has long-term leases for railroad cars at estimated annual rentals (after mileage credits for usage) of approximately \$800,000. Certain of

the leases require payment of taxes, insurance, repairs, maintenance and alterations. The Corporation has a long-term agreement to purchase certain of its raw material requirements at prices and on terms designed to assure the seller recovery of specified operating costs of plants constructed by the seller for purposes of the agreement. The Corporation also has other long-term purchase contracts made in the ordinary course of business. The Corporation has guaranteed bank loans of others approximating \$8,225,000 at June 30, 1966, and is committed to lend up to \$3,150,000 to one affiliated domestic company and to provide working capital, if required, to another.

Auditors' Report

ARTHUR YOUNG & COMPANY

111 West Monroe Street, Chicago, Illinois 60603

To the Shareholders and Board of Directors of International Minerals & Chemical Corporation:

We have examined the accompanying statement of consolidated financial position of International Minerals & Chemical Corporation and subsidiaries at June 30, 1966 and the related statements of consolidated net earnings and retained earnings and of consolidated source and disposition of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the statements mentioned above present fairly the consolidated financial position of International Minerals & Chemical Corporation and subsidiaries at June 30, 1966, the consolidated results of their operations and the source and disposition of their consolidated working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



July 31, 1966





Comparative Financial Data For Ten Years (in thousands of dollars)

CONSOLIDATED FINANCIAL POSITION AT JUNE 30

1966

1965

Assets:

Current assets	\$157,741	\$120,494
Property, plant and equipment (net)	236,919	184,275
Other assets	24,071	19,525
Total	\$418,731	\$324,294

Liabilities and shareholders' equity:

Current liabilities	\$ 50,681	\$ 34,426
Long-term debt	181,860	122,854
Deferred income taxes	8,363	6,906

Shareholders' equity

Preferred stock	9,833	9,833
Common stock	31,614	31,288
Capital in excess of par value	37,220	36,727
Retained earnings	99,160	82,260
Shareholders' equity	177,827	160,108
Total	\$418,731	\$324,294

CONSOLIDATED EARNINGS YEARS ENDED JUNE 30

Net sales	\$299,322	\$262,997
Operating costs and expenses	261,547	234,266
Operating income	37,775	28,731
Other income	774	450
Interest charges	(8,222)	(5,638)
Earnings before income taxes	30,327	23,543
Income taxes	5,700	3,200
Net earnings	\$ 24,627	\$ 20,343
Net earnings as percentage of sales	8.2	7.7

OTHER DATA

Expenditures for property, plant and equipment	\$ 69,426	\$ 52,756
Depreciation and depletion	\$ 14,808	\$ 13,079
Earnings per share of common stock	\$ 3.83	\$ 3.19
Dividends per share of common stock	\$ 1.20	\$ 1.00
Book value per share of common stock	\$ 26.57	\$ 24.01
Common shares outstanding at yearend	6,322,734	6,257,660
Number of shareholders at yearend	19,617	18,809
Average number of employees	7,313	6,925

1964	1963	1962	1961	1960	1959	1958	1957
\$101,720	\$ 80,635	\$ 68,823	\$ 52,778	\$ 42,487	\$ 39,224	\$ 40,688	\$ 44,893
138,109	124,303	115,018	93,761	92,786	86,653	80,137	77,538
15,428	10,772	9,379	6,147	5,060	5,168	5,136	4,449
\$255,257	\$215,710	\$193,220	\$152,686	\$140,333	\$131,045	\$125,961	\$126,880

\$ 25,354	\$ 27,966	\$ 17,898	\$ 11,794	\$ 11,826	\$ 9,320	\$ 7,556	\$ 9,027
80,472	64,557	55,652	31,789	29,565	26,737	25,561	27,100
4,684	3,672	3,353	3,150	4,020	4,395	4,650	3,700
9,833	9,833	9,833	9,833	9,833	9,833	9,833	9,833
15,517	14,038	13,946	13,116	12,226	11,747	11,687	11,687
50,869	36,619	36,170	33,550	29,285	29,116	28,824	28,823
68,528	59,025	56,368	49,454	43,578	39,897	37,850	36,710
144,747	119,515	116,317	105,953	94,922	90,593	88,194	87,053
\$255,257	\$215,710	\$193,220	\$152,686	\$140,333	\$131,045	\$125,961	\$126,880

\$225,714	\$184,180	\$164,528	\$133,786	\$125,646	\$112,560	\$103,662	\$106,189
203,606	169,933	151,934	122,149	114,669	104,122	96,574	96,809
22,108	14,247	12,594	11,637	10,977	8,438	7,088	9,380
349	142	381	241	169	92	187	187
(4,530)	(3,994)	(2,643)	(1,700)	(1,386)	(1,141)	(972)	(1,031)
17,927	10,395	10,332	10,178	9,760	7,389	6,303	8,536
2,150	100	1,400	1,960	2,116	1,200	1,030	1,575
\$ 15,777	\$ 10,295†	\$ 8,932	\$ 8,218**	\$ 7,644	\$ 6,189	\$ 5,273	\$ 6,961*

7.0 5.6 5.4 6.1 6.1 5.5 5.1 6.6

\$ 25,097	\$ 23,200	\$ 28,860	\$ 13,225	\$ 12,135	\$ 13,930	\$ 9,645	\$ 8,320
\$ 11,519	\$ 8,752	\$ 7,895	\$ 7,374	\$ 7,070	\$ 6,980	\$ 6,665	\$ 6,793
\$ 2.48	\$ 1.77 †	\$ 1.53	\$ 1.54**	\$ 1.49	\$ 1.24	\$ 1.05	\$ 1.41*
\$ 1.00 ††	\$.80	\$.80	\$.80	\$.80	\$.80	\$.80	\$.80
\$ 21.74	\$ 19.53	\$ 19.09	\$ 18.32	\$ 17.40	\$ 17.19	\$ 16.77	\$ 16.52
6,206,836	5,615,346	5,578,378	5,246,564	4,730,328	4,698,854	4,674,634	4,674,574
16,201	14,619	14,642	15,743	16,362	16,014	13,744	13,573
6,610	5,618	5,163	5,366	5,413	4,953	4,834	4,844

*Does not include gain, after taxes, of \$713,350 resulting from sale of property.

†Does not include net special charge, after taxes, of \$2,797,252 resulting from losses on plant abandonments less credit from capitalizing certain costs incurred during construction of Canadian mine.

**Does not include net gain, after taxes, of \$1,588,006 resulting from gain on sale of undeveloped phosphate reserves in Tennessee and from losses on permanent plant closings.

††Includes an extra of 10 cents.



WARE

TAYLOR

MEERS

WHITE

BUTZ

DUNLAP

McDONALD

JOHNSON

PURCELL

RYAN

Board of Directors, shown here at new Growth Sciences Center, regularly visits major facilities; pictures at right show them with officers at phosphate and Bioferm plants.

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Purdue University, Lafayette, Ind.

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Glover Johnson†§
Attorney-at-Law and Partner
White & Case, New York, N.Y.

Edwin C. McDonald*
Director and Vice President
Royal Bank of Canada, Montreal, Que.

Henry W. Meers*†
Partner
White, Weld & Co., Chicago, Ill.

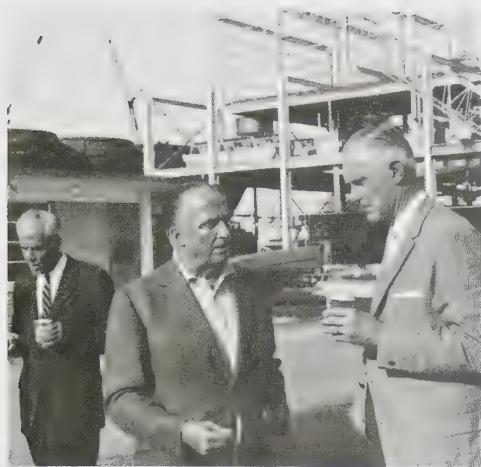
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Pittsburgh, Pa.

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J. W. Dunlap, G. O. Pehrson



T. M. Ware, H. W. Meers



E. C. McDonald, guide, R. J. DeLargey



E. L. Butz, E. C. McDonald, J. W. Dunlap, G. Johnson



N. J. Dunbeck, V. F. Taylor, Jr., A. E. Cascino

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Bror R. Carlson, Treasurer
John R. Taylor, Secretary and
General Counsel
Clark E. Gable, Assistant Secretary
James T. Gibson, Jr., Assistant Treasurer

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Everett C. Horne, Agricultural Chemicals Sales
Sidney T. Keel, Agricultural Overseas Sales
Fredrick C. Kruger, Mining and Exploration
Charles P. Loucks, Drilling Mud
R. Steven Mason, Ac'cent International
Callix E. Miller, Jr., Facilities
Neal G. Schenet, Marketing

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Alice, Texas	Chickasha, Oklahoma	Jacksonville, Florida	Rome, Italy*
Americus, Georgia	Clarksville, Tennessee	Lafayette, Louisiana	San Jose, California
Anchorage, Alaska	Corpus Christi, Texas	Lake Charles, Louisiana	San Mateo, California
Ardmore, Oklahoma	Dallas, Texas	Lockland, Ohio	Shreveport, Louisiana
Atlanta, Georgia	Denver, Colorado	London, England*	Skokie, Illinois
Auckland, New Zealand*	Detroit, Michigan	Long Beach, California	Spartanburg, South Carolina
Augusta, Georgia	East Point, Georgia	Mason City, Iowa	Sylvania, Ohio
Bakersfield, California	Elk City, Oklahoma	McAlester, Oklahoma	Texarkana, Arkansas
Bay City, Texas	Eunice, Louisiana	Melbourne, Australia*	Tifton, Georgia
Baytown, Texas	Farmington, New Mexico	Mexico City, Mexico*	Tokyo, Japan**
Beaumont, Texas	Florence, Alabama	Midland, Texas	Toronto, Ontario*
Beeville, Texas	Fort Worth, Texas	Monahans, Texas	Tulsa, Oklahoma
Bellflower, California*	Greeneville, Tennessee	Mulberry, Florida	Tupelo, Mississippi
Berwick, Louisiana	Hartsville, South Carolina	New Orleans, Louisiana	Wasco, California
Billings, Montana	Hobbs, New Mexico	New York, New York	Williston, North Dakota
Buffalo, New York	Hong Kong*	Oklahoma City, Oklahoma	Winston-Salem, North Carolina
Calgary, Alberta*	Houma, Louisiana	Paris, France*	Woburn, Massachusetts
Casper, Wyoming	Houston, Texas	Pauls Valley, Oklahoma	Woodward, Oklahoma
Chicago, Illinois	Indianapolis, Indiana	Perryton, Texas	Xenia, Ohio
Chicago Heights, Illinois	Jackson, Ohio	Plymouth, Indiana	Zurich, Switzerland*

FREIGHT OFFICES

New York, New York*
Rotterdam, The Netherlands*
Tampa, Florida*
Vancouver, British Columbia*

*Offices of subsidiaries
**Offices of sales agents
†Post office, Bartow, Florida
††Plants of affiliated companies
‡Plants of subsidiaries
‡‡Mine of affiliated company

MINES AND PLANTS

Ac'cent International	Industrial Products	Buffalo, New York	Mason City, Iowa
Chicago, Illinois	Belle Fourche, South Dakota	Chicago Heights, Illinois	Middletown, Indiana
Agricultural Chemicals	Bondclay, Ohio	Chippewa Falls, Wisconsin	Monticello, Indiana
Achan, Florida†	Buckingham, Quebec‡	Clarksville, Tennessee	Mulberry, Florida
Bonnie, Florida†	Cleveland, Ohio	Covington, Ohio	Plymouth, Indiana
Carlsbad, New Mexico	Custer, South Dakota	Cullman, Alabama	Pocahontas, Iowa
Cordova, Illinois††	Detroit, Michigan	Delft, Minnesota	Russellville, Indiana
Esterhazy, Saskatchewan†	Havelock, Ontario†	Delmar, Iowa	Saint Ansgar, Iowa
Mulberry, Florida	Houston, Texas	East Point, Georgia	Somerset, Kentucky
Niagara Falls, New York	Jackson, Ohio	Edmund, Wisconsin	Spartanburg, South Carolina
Noralyn, Florida†	Kingman, Arizona	El Dorado, Wisconsin	Speer, Illinois
Sylvania, Ohio	Kona, North Carolina	Erie, Illinois	Sylvania, Ohio
Taiba, Senegal††	Monterrey, N.L., Mexico‡	Fairfax, Minnesota	Texarkana, Arkansas
Tupelo, Mississippi	Piney River, Virginia	Florence, Alabama	Tifton, Georgia
West Polk, Florida†	Smithville, Mississippi	Fort Worth, Texas	Tripoli, Iowa
Animal Health and Nutrition	Spruce Pine, North Carolina	Genoa, Nebraska	Tupelo, Mississippi
Bellflower, California‡	Wadsworth, Ohio	Gratis, Ohio	Union, Illinois
Imperial, California‡	Plant Food	Greeneville, Tennessee	Walnut Grove, Illinois
Bioferm	Americus, Georgia	Hartsville, South Carolina	Welcome, Minnesota
San Jose, California	Auburn, New York	Hoytville, Ohio	Williamsfield, Illinois
Wasco, California	Augusta, Georgia	Indianapolis, Indiana	Winston-Salem, North Carolina
	Blooming Prairie, Minnesota	Jacksonville, Florida	Woburn, Massachusetts
		Johnson City, Tennessee	Xenia, Ohio
		Lockland, Ohio	Foley, Alabama††
		Marshall, Minnesota	Louisville, Georgia††

Corporate Data

Headquarters Office

Administrative Center, Old Orchard Road,
Skokie, Illinois

Corporate Office

485 Lexington Avenue, New York, New York

Subsidiaries

Ac'cent International de Mexico, S.A. de C.V.
Ac'cent International, Inc.
California Cattle Supply Company
IMC Development Corporation
IMC Italia, S.p.A.
IMC Phosphate Terminal Company
International Minerals & Chemicals Limited
International Minerals & Chemical (A.N.Z.)
Pty. Limited
International Minerals & Chemicals
(Bahamas) Limited
International Minerals & Chemical
Corporation (Canada) Limited
International Minerals & Chemical de France
International Minerals & Chemical
(Hong Kong) Limited

International Minerals & Chemical S.A.
Minquim Internacionales, S.A.
Overseas Marine Services, Inc.
Overseas Marine Services Limited

Affiliated Companies

Bentonita de Mexico, S.A.
Compagnie Senegalaise des Phosphates
de Taiba
Coromandel Fertilisers Limited
IMC Chlor-Alkali, Inc.
Ken International, S.A.
Louisville Fertilizer & Gin Company
Marion Manufacturing Corporation
Nitrin, Inc.
Peoples Fertilizer Company

Research Laboratories

Libertyville, Illinois
Mulberry, Florida
Wasco, California

Auditors

Arthur Young & Company, Chicago, Illinois

Counsel

White & Case, New York, New York

Stock Exchanges

Midwest Stock Exchange
New York Stock Exchange
Toronto Stock Exchange

Transfer Agents

Bankers Trust Company, New York, New York
The First National Bank of Chicago,
Chicago, Illinois
The Royal Trust Company, Toronto, Ontario

Registrars

Canada Permanent Trust Co., Toronto, Ontario
Chemical Bank New York Trust Company,
New York, New York
Continental Illinois National Bank & Trust
Company of Chicago, Chicago, Illinois

Trustees

Subordinated Convertible Debentures
The First National Bank of Chicago,
Chicago, Illinois

Paying Agent

Subordinated Convertible Debentures
Bankers Trust Company, New York, New York

Products

Agricultural

AMMONIUM NITRATE (Granular and Prilled)
AMMONIUM NITRATE—LIMESTONE
AMMONIUM SULFATE
ANHYDROUS AMMONIA
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AQUA AMMONIA
CALCINED PHOSPHATE ROCK
DEFLUOROFOS® (Defluorinated Feed Phosphate)
DIAMMONIUM PHOSPHATE (18-46-0)
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DYNA-FERM™ (Animal Feed Supplement)
DYNAFOS® (Dicalcium Phosphate, Feed Grade)
DYNA-K® (Feed Grade Potassium Chloride)
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FOUR-LEAF® (Ground Rock Phosphate)
IMC™ DICALCIUM PHOSPHATE (Feed Grade)
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POT O'GOLD® (Fertilizer Materials)
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SUL-PO-MAG® (Sulfate of Potash-Magnesia—Standard
 and Coarse)
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THURICIDE® 90 TS (Microbial Insecticide)
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WEED CONTROL CHEMICALS

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WALL BOARD

CLEANSERS
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PAPER BLEACHING
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PHOTOGRAPHIC REAGENTS
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WATER CHLORINATION
WATER FLUORIDATION

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INTERNATIONAL MINERALS & CHEMICAL CORPORATION
Old Orchard Road, Skokie, Illinois 60076 phone: YOrktown 6-3000

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Note to Editors

News stories may be coming from Madrid -- starting next week -- on the multi-million-dollar development of a vast, un-tapped phosphate deposit in the Spanish Sahara.

IMC has been invited by the Spanish government to begin negotiations May 29 toward a formal agreement on the venture.

The attached background paper has been prepared by IMC to help you round out stories which may come out of these negotiations, beginning with the opening discussion Monday.

If you have questions about the attached information, please call us at (312) YO6-3000, or after 5 p.m. at (312) JU3-0708.

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INTERNATIONAL MINERALS & CHEMICAL CORPORATION
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THIS IS IMC

International Minerals & Chemical Corporation is the world's largest producer of chemical fertilizer materials.

The company, with headquarters in Skokie, Illinois, a suburb of Chicago, produces about 12 percent of the world's output of phosphate, and more than 15 percent of world's potash, as well as sizeable volumes of industrial minerals.

Although agriculture has been the company's dominating interest since its founding in 1909, IMC is a diversified corporation. It is the largest North American producer of 13 commodities for agriculture, industry and the home.

The present corporate product mix is two-thirds agricultural products and one-third industrial minerals and chemicals, monosodium glutamate and a number of specialty lines.

The company exports about 5 million tons of materials a year, accounting for about 26 percent of the company's total dollar volume in sales.

Net sales for the fiscal year ending June 30, 1966, were \$299,322,001, up 14 percent from the previous year's record sales.

Earnings were \$24,627,000, or \$3.83 per common share on 6,322,734 shares outstanding.

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IMC was the first company to become a basic producer of the three primary fertilizer materials--nitrogen, phosphate and potash.

PHOSPHATE

IMC's original product back in 1909 was phosphate. Today, the company is the world's largest private producer of this material, with extensive operations in central Florida.

Three mines and four rock phosphate plants are now in operation with current production capacity of $8\frac{1}{2}$ million tons of rock a year.

Of the IMC output, 39 percent is exported with half of the amount going to Asia-Pacific. All of this moves through the IMC phosphate terminal at Tampa, Fla.

The remaining 61 percent is marketed to domestic customers or used in IMC's 50 fertilizer plants in the U.S.

IMC operates four giant draglines in the Florida phosphate field with a replacement cost of \$2 million each.

At its Bonnie complex near Bartow, Florida, IMC operates the world's largest phosphate chemicals plant, which produces 1.4 million tons of product a year, more than triple the capacity of six years ago.

IMC is a partner in a phosphoric acid plant, largest in the Common Market, to be built in Belgium. The \$16 million plant will produce 325,000 tons of product a year when completed in 1969. It will be owned jointly by IMC and Societe de Prayon S.A. of Belgium, a manufacturer of phosphate fertilizers and a leader in the development of phosphoric acid processes.

The company also is partner in Compagnie Senegalaise des Phosphates de Taiba in Senegal which produces one million tons of high grade phosphate rock annually. Europe's Common Market nations are prime customers of this mine, although some product is shipped to Japan.

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POTASH

IMC was the first company to open two sources of supply for this vital fertilizer material--the company's mine and refinery at Carlsbad, New Mexico, and K-1, the world's largest potash mine and refinery near Esterhazy, Saskatchewan, in Canada.

In 1964, a \$1 million project was completed to produce sulfate of potash and Sul-Po-Mag to meet growing demand for these special fertilizer materials.

IMC opened the world's richest and largest potash deposit near Esterhazy in 1962, after five years' of work in the toughest mining project ever completed in the hemisphere. Production capacity is two million tons a year, 10 percent of the world output. A second mine and refinery (K-2), which began operation early this year, boosted total annual capacity of its Canadian potash operations to $3\frac{1}{2}$ million tons. The K-2 mine can be expanded by another 1 million tons a year, when market demands warrant it. With its three potash operations, IMC now produces some 4 million tons of product a year, about 15 percent of the world supply.

More than one million tons of potash have been exported through Vancouver, B.C., since the mine opened.

NITROGEN

IMC is a partner in a nitrogen fertilizer complex in western Illinois, producing a variety of products for north central states.

Opened in 1964, Nitrin, Inc., has a daily capacity of 400 tons of anhydrous ammonia, 320 tons of liquid ammonium nitrate, 250 tons of solid ammonium nitrate, 70 tons of urea, and several hundred tons of nitrogen solutions.

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AGRICULTURE

Through its Plant Food Division, IMC is one of the nation's largest suppliers of complete chemical fertilizers to the farmer. The division operates more than 50 plants in the eastern two-thirds of the nation. The division is currently field testing a computerized farm management program on more than 1,200 farms, principally in the Midwest, to increase farm profitability.

IMC is also involved directly in fertilizer production abroad. With Chevron Chemical Company, a subsidiary of Standard Oil of California, E.I.D.-Parry Ltd., of India, and other Indian interests, IMC is building a \$70 million fertilizer plant in India. Scheduled for start-up this summer, the plant will produce 380,000 tons of fertilizers annually, enough to help feed 10 million people.

Construction of the giant plant, the first U.S.-backed private fertilizer project in India, began in 1964 after five years of negotiations. The joint venture company, Coromandel Fertilisers, Ltd., already has established a marketing network of 2,300 distributors who have been marketing fertilizer imported from the U.S. to seed the market.

In another pioneering effort, IMC is formulating a program to accelerate development of the entire agricultural economy of Thailand. All aspects bearing on agricultural production are being considered simultaneously.

This is a case study of methods by which developing nations everywhere could use the expertise of outside consultants in equipping and organizing themselves to defeat the world hunger problem.

IMC will provide manpower, facilities, services and whatever else is necessary for the project--from within its own organization or from outside sources. The \$350,000 study is being made by IMC in cooperation with the U.S. Agency for International Development and the Thai Government.

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OTHER IMC OPERATIONS

The company is the nation's largest producer of monosodium glutamate, with an annual production capacity of 30 million pounds. It also produces animal feed ingredients, microbial insecticides, and fine chemicals, including fermentation products.

IMC's Industrial Group includes a variety of product lines serving ceramic and glass manufacturers, foundries, iron ore industry, and the oil well drilling industry.

The acquisition of Ken Corporation in 1965, opened the way for distribution of IMC drilling mud products to major oil fields throughout the free world.

The largest, and most recent acquisition by IMC occurred in December when the company acquired E. J. Lavino and Company, a producer of industrial materials for use in products ranging from children's toys to giant blast furnaces. Lavino has sales of about \$40 million a year.

Research and development activity at IMC covers the broad spectrum of the company's many activities. A new \$6.5 million research and development center was opened in 1966 near corporate headquarters. Current work is being done in such areas as plant growth regulators, fertilizer and materials technology, plant nutrition, food technology, animal health and nutrition, biological pesticides and petroleum production chemicals.

Despite IMC's vast reserves of minerals deposits, the company continues to explore for new sources to meet anticipated needs in strategic locations around the world.

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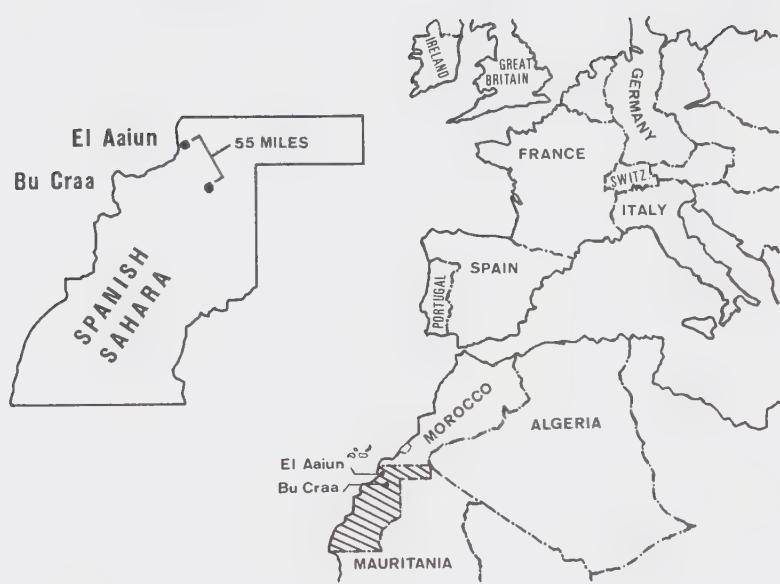
A team of 12 specialists, including five geologists, is presently working in Australia and the southwest Pacific on a project for IMC Development Corporation to discover potash, phosphate or other industrial mineral deposits.

The search for minerals is also being carried out in both hemispheres. During the past year, IMC teams have probed potential deposits in Africa, North and South America and the Middle East.

IMC has about 9,000 employees in more than 200 offices, mines and plants around the world.

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The mine and plant would be located at Bu Craa, about 54 miles southeast of the capital city of El Aaiun on the Atlantic coast.

IMC geologists and engineers have conducted extensive studies of the deposit, described as the largest untapped high grade phosphate ore body in the world. The deposit contains an estimated 1.4 billion tons of ore. Preliminary plans call for construction of a plant to produce 3 million tons of product a year, with an initial investment of \$100 million.

A long-range expansion plan for the development of the Spanish Sahara deposit involves subsequent increases in production through 1977 when annual output would reach 10 million tons. This is about 15 per cent of present world production capacity. Total capital investment in such a project would be an estimated \$185 million.

Included in this program would be the mine, beneficiation plant, support buildings, wet and dry storage facilities, sea port with additional storage capacity and loading equipment, power plants at minesite and port, a railroad or belt conveyor link between Bu Craa and El Aaiun, a de-salinization plant to provide pure water, and a housing colony.

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According to IMC, the primary market for production from the Spanish Sahara operation will be Europe. Smaller portions are expected to be marketed in India, Southeast Asia and Japan, but IMC does not see the U. S. as a significant market for this production at this time.

"Development of the Spanish Sahara deposit would afford IMC a significant strategic advantage in its continuing expansion of world fertilizer market penetration," IMC President N. C. White explains.

"It complements our present supply sources and would allow us to participate in the growing European market more fully, and the availability of ocean shipping to other regions provides access to other markets as they develop.

"Even more significant from a humanitarian viewpoint is the food-producing potential that will be unlocked with the opening of the new phosphate deposit," White says. "This must be developed if the growing world need for food is to be met."

Scientists have conducted extensive laboratory and field research which has demonstrated that one ton of plant nutrients will produce about 10 tons of basic foodstuffs.

Food technologists, using this data, estimate that one ton of plant nutrients could ultimately produce enough food to provide 20 persons with 2,500 calorie basic food diets for a full year.

Combining the data from agronomists and food specialists, and multiplying it to a projected production level of 10 million tons of phosphate rock (or 3.4 million tons of P_2O_5)

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it can be estimated that the Spanish Sahara phosphate development will help provide food for some 68 million people annually.

The facility will include an open pit mine and beneficiation plant to prepare the ore for market.

One of the major advantages of the phosphate deposit in the Spanish Sahara is its high quality and high analysis. Preliminary studies have indicated the phosphate (BPL - bone phosphate of lime) content of the deposit averages 75 per cent.

For that reason, quality phosphate rock can be produced with less complex processing operations -- a significant cost-saving factor. And the deposit could supply phosphate to world markets for nearly a century at the anticipated production rate of 10 million tons a year.

Mining would be accomplished with a wheel excavator or with a dragline system similar to the method used by IMC's large operations in Florida's phosphate field.

Construction of the facility is scheduled to begin as soon as possible, with a preliminary estimate of production start-up set for 1970. Following a five-month period to build a working inventory of product, the partnership would expect to enter world markets late in that year.

"Setting 1970 as a target for the first sales of phosphate rock from the new facility is an optimistic estimate, because we must start from scratch in truly virgin surroundings," according to White.

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"Although most people think 'Sahara' means hot, shifting sands, the terrain around the phosphate deposit is largely flat and firm." The only real sand desert in this area is a six-mile strip of dunes which runs parallel to the coast. The rest of the area is firm enough to support vehicles and heavy duty equipment.

Another major building program in connection with development of the Spanish Sahara phosphate field will involve improving the sea port at El Aaiun.

Spanish officials have already awarded a work contract worth \$21 million to a U.S.-German construction company and work is already underway.

The port would be designed to utilize modern mechanical loading facilities that could serve ocean vessels efficiently--a significant factor in achieving economy in distribution of a bulk product such as phosphate rock.

Employment at the operation is expected to reach 1,400 persons by start-up time, including a small managerial team from IMC. The work force would increase as production grows until output reaches 10 million tons a year, when 3,000 men would be required.

The decision by the Spanish government to examine development of the phosphate deposit with the assistance of IMC provides the project with one of the most experienced fertilizer producers and marketers in the world.

IMC, already supplying more than 12 per cent of the world's phosphate and potash, is the largest producer of those basic food-producing nutrients.

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The company has mined phosphate in Florida since the early 1900's and has been a partner in a phosphate mine in Senegal, West Africa, since 1962. Its first potash mine opened a quarter century ago and its potash mines in Canada are the world's largest. In addition to its world-wide marketing and service organization, IMC is one of the largest suppliers of complete fertilizer to U.S. farmers. The company is also a partner in a \$70 million ammonium phosphate fertilizer plant in India, scheduled to begin production this summer.

IMC phosphate rock production in 1966 was $8\frac{1}{2}$ million tons, and the Senegalese operation produces over 1 million tons of phosphate a year. IMC also produces $1\frac{1}{2}$ million tons of concentrated phosphates annually and has just announced plans for a partnership in a phosphoric acid plant to be built in Belgium.

Under the IMC Spanish Sahara proposal, the company and its Spanish partner, INI (National Institute of Industry), a government agency, would select the final member or members of a consortium to develop the deposit.

In accordance with the terms of the initial pact, the Spanish government would own 55 per cent of the development, IMC would own 25 per cent, and the other consortium member or members would have the remaining 20 per cent.

"In view of the present and projected world demand for basic fertilizer materials such as phosphate, the opening of a vast, high grade deposit in an area that is convenient to a major market (Europe) must be considered most promising from an economic aspect," according to White.

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"The venture offers a variety of challenges, beginning with the complex organizational program that lies ahead as IMC and INI select their third partner and make other preliminary decisions to implement the development plan."

Among the many other factors which must be determined as the project moves toward actual construction status are decisions on transportation, port facilities, power supply and processing equipment.

"The location of the beneficiation facility will be determined by the most readily-available water source. If adequate water is not economical at Bu Craa, the plant may be located adjacent to the portsite at El Aaiun, where a de-salinization system could convert sea water for the operation."

IMC's selection as a major partner in the Spanish Sahara project concludes more than two years of Sahara project negotiations for the rights to take part in the development. The international competition included some of the largest corporations in the U.S. as well as major European industrial and mining groups.

Among the U.S. finalists competing with IMC for rights to work with Spain in this venture were a consortium of Gulf Oil, Texaco, W.R. Grace, and Standard Oil of California, and a consortium composed of Continental Oil, Armour & Co., and Loeb, Rhoades & Co. Earlier negotiators included American Smelting and Refining, International Ore and Fertilizers (subsidiary of Occidental Petroleum), and American Cyanimid.

All told, there were over 20 companies from the United States, Europe, Canada, and Japan participating in the competition.

